U.S.-CAFTA-DR Free Trade Agreement

California Farmers Will Benefit.

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Exports of farm products help boost California's farm prices and income. Such exports help support about 129,560 jobs both on and off the farm in food processing, storage, and transportation. In 2003, California's farm cash receipts were $27.8 billion, and agricultural exports were estimated at $8.2 billion, putting its reliance on agricultural exports at 30 percent. Implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) will increase California's exports of agricultural products.

California Benefits From the U.S.- CAFTA-DR Free Trade Agreement (FTA)

Despite over $1.6 billion in U.S. farm exports in 2003, CAFTA-DR countries continue to impose high tariffs and other barriers on most agricultural products, including California's key exports. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau, support the FTA.

Dairy. As the nation's largest producer and exporter of dairy products, with cash receipts of over $4 billion, California dairy producers benefit from the FTA.

- U.S. dairy exporters currently face duties as high as 60 percent, and the WTO permits duties as high as 100 percent.
- Each country will establish duty-free TRQs for certain dairy products totaling over 10,000 metric tons across the six countries – and each will receive the same level of TRQ access for dairy products entering the United States.
- TRQs will grow by 5 percent per year for the Central American countries and 10 percent per year for the Dominican Republic, with certain dairy products subject to safeguards during the phase-out period.
- All Central American and Dominican duties will be eliminated within 20 years, with duties on some dairy products eliminated earlier.
- *The National Milk Producers Federation, the U.S. Dairy Export Council, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

Fruits. As the nation's leading exporter of fruits and preparations, California fruit producers benefit from the FTA.

- As the state's 3rd largest source of farm cash receipts, California grape producers and processors benefit from the immediate elimination of duties on grapes and raisins by all CAFTA-DR countries. Current duties on grapes can reach 20 percent in CAFTA-DR countries, and under WTO rules, could rise to as high as 135 percent.

- With nearly $250 million in cash receipts, California peach producers and processors benefit from the immediate duty elimination by all CAFTA-DR countries on fresh and canned peaches. California pear producers also benefit from similar duty-free access immediately on fresh and canned pears. Current duties on these products can reach 20 percent in CAFTA-DR countries, and under WTO rules, could rise to as high as 138 percent.
- *The California Table Grape Commission and the Northwest Horticultural Council have expressed support publicly for the CAFTA-DR FTA.*

Tree Nuts. As the nation's leading exporter of tree nuts, California tree nut producers benefit from the FTA.

- Accounting for over $2 billion in farm cash receipts and all of the nation's production and exports, California almond, walnut and pistachio producers benefit from immediate duty-free access from all CAFTA-DR countries.
- Current duties on these products can reach 20 percent in CAFTA-DR countries, and under WTO rules, could rise to as high as 60 percent.
- *Blue Diamond Growers has expressed support publicly for the CAFTA-DR FTA.*

Vegetables. As the nation's leader in exports and value of sales, California vegetable growers and processors benefit from the FTA.

- With over $1.7 billion in cash receipts, California lettuce producers benefit from immediate duty elimination by Costa Rica, and phase-out in duties within 5 years by most other Central American countries and within 15 years in all other countries. Current duties on lettuce can reach 20 percent in CAFTA-DR countries, and under WTO rules, could rise to as high as 60 percent.
- Providing over $900 million in state farm cash receipts, California tomato growers and processors benefit from the immediate elimination of duties by all Central American countries on the largest U.S. vegetable product export (tomato paste) to that region. Current duties on tomatoes and other tomato products can reach 25 percent in CAFTA-DR countries, and under WTO rules, could rise to as high as 60 percent. All duties in this sector will be eliminated within 15 years, and earlier in many cases.
- With cash receipts over $800 million, California broccoli and cauliflower producers benefit from elimination of duties by CAFTA-DR countries within 12 years, and earlier (5 or 10 years) in most cases. Current duties on these products can reach 20 percent in CAFTA-DR countries, and under WTO rules, could rise to as high as 60 percent.
- *The American Frozen Food Institute, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

Rice. As the nation's 2nd largest rice exporter, California rice producers benefit from the FTA.

- U.S. rice exports face CAFTA-DR duties up to 60 percent, and the WTO permits duties as high as 90 percent.

- Each CAFTA-DR country will establish zero duty TRQs for milled rice, and rough rice in all except the Dominican Republic (which will have a TRQ for brown rice).
- In the first year of the FTA, the TRQ access will total over 400,000 metric tons immediately and will grow through the tariff phase-out period.
- *The USA Rice Federation and U.S. Rice Producers Association have expressed support publicly for CAFTA-DR FTA.*

Cotton. As the nation's 2nd largest cotton exporter, California's cotton producers benefit from zero tariffs that the FTA locks-in immediately for markets worth $73.1 million to U.S. cotton suppliers. Under WTO rules, CAFTA-DR countries could raise duties on cotton to 35 to 60 percent, depending on the country.

Beef. With cash receipts of nearly $1.6 billion, California cattle and calve operators benefit from the FTA.

- Current import duties on U.S. beef exports are as high as 30 percent, and the WTO permits duties as high as 79 percent.
- Duties on the products most important to the U.S. beef industry – Prime and Choice cuts – will be eliminated immediately in Central American countries, while the Dominican Republic will establish a zero duty TRQ of 1,100 metric tons which expands annually as duties are eliminated.
- Some immediate duty-free access will be provided by certain countries on other beef cuts through an initial TRQ totaling 1,165 metric tons, expanding annually until duties are fully phased-out.
- Duties currently applied to other beef products and beef offals will be phased-out in 5 to 10 years.
- CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.
- *The American Meat Institute, the National Cattlemen's Beef Association, the National Renderers Association, and the U.S. Meat Export Federation have expressed support publicly for the CAFTA-DR FTA.*

Wine. As the nation's leading exporter of other horticultural products, including wine, California wine producers benefit from the immediate duty elimination on standard-size bottled wine by all CAFTA-DR countries. Duties on other wines will be eliminated within 15 years, and earlier in many cases. Current duties on wines can reach 35 percent in CAFTA-DR countries, and under WTO rules, could rise to as high as 70 percent.

Sugar Production in California - Map